

Message Text

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ORIGIN COME-00

INFO OCT-01 ISO-00 EB-07 ARA-06 INT-05 XMB-02 TRSE-00

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R 210107Z AUG 76

FM SECSTATE WASHDC

TO AMEMBASSY PORT OF SPAIN

C O N F I D E N T I A L STATE 208325

E.O. 11652: GDS

TAGS: BENC, TD

SUBJECT: STATUS IDC IRON AND STEEL PROJECT

REF: PORT OF SPAIN 2127

1. MIDREX CONFIRMS THEY HAVE RECEIVED LETTER OF INTENT TO CONSTRUCT A 400,000 MT/Y DIRECT REDUCTION PLANT. THEY EXPECT CONTRACT SIGNING IN LATE AUGUST. CONTRACT VALUE \$27 TO \$30 MILLION. (BEGIN FYI, MIDREX WOULD APPRECIATE IF THIS INFORMATION WOULD BE KEPT IN CONFIDENCE UNTIL AFTER THE PUBLIC ANNOUNCEMENT. END FYI).

2. FIRST BOSTON INFORMS THAT AT THIS STAGE THEY WOULD NOT ADVISE ISCOTT TO RULE OUT ANY FINANCING SOURCES. FURTHER THEY INDICATE IT IS LIKELY THEY WILL RECOMMEND SHORTLY THAT ISCOTT SEEK FINANCING FROM FOREIGN GOVERNMENT
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INSTITUTIONS INCLUDING THE U.S. EXIMBANK TO COVER ALL PROJECT PROCUREMENT. ACCORDINGLY WE INTERPRET FRAZIER'S

COMMENTS AS ANOTHER EXAMPLE OF GOTT/IDC'S DETERMINATION
TO SHOW THEIR INDEPENDENCE OF THE U.S. NOTWITHSTANDING

WE SUGGEST THAT AT THE APPROPRIATE TIME EMBASSY DISCUSS
ISCOTT FINANCING INTENTIONS WITH FRAZIER IN ORDER TO
CLARIFY THIS ISSUE.

3. THERE ARE SOME ADDITIONAL POINTS ON WHICH COMMERCE/MEPD
SEEK FURTHER CLARIFICATION. ISCOTT REPORTS THAT THEY ARE
RECEIVING ATTRACTIVE BIDS FROM THE JAPANESE ON THE MILL
EQUIPMENT. WE ARE UNDER THE IMPRESSION THAT AT THIS STAGE
THERE ARE NO DETAILED EQUIPMENT SPECIFICATIONS AND FOR
THIS REASON ISCOTT IS SEEKING A COMPETENT ENGINEER/PROJECT
MANAGER. ACCORDINGLY FRAZIER'S STATEMENT (REFTEL) DOES
NOT APPEAR CONSISTENT WITH SITUATION AS WE UNDERSTAND IT.
HOWEVER IF IN FACT ISCOTT HAS PREPARED DETAILED BID

SPECIFICATIONS WE WOULD APPRECIATE INFORMATION REGARDING
WHO PREPARED THE SPECIFICATIONS TENDERS AS WELL AS TO
WHICH AMERICAN FIRMS THEY WERE SENT.

4. ANOTHER POINT OF CONCERN TO US IS IN REGARD TO THE
MIDREX PROPOSAL. FRAZIER'S COMMENTS SEEM TO INDICATE
THAT ISCOTT IS ENCOURAGING MIDREX TO SOURCE DIRECT
REDUCTION PLANT FROM NON-U.S. SOURCING. WE ARE UNDER
THE IMPRESSION THAT MIDREX FAVORS U.S. PROCUREMENT AND
THAT THE ORIGINAL AGREEMENT BETWEEN ISCOTT AND MIDREX
SPECIFIED AMERICAN SOURCING. WE WOULD APPRECIATE EMBASSY'S
COMMENTS AS TO WHETHER ISCOTT HAS ACTUALLY CHANGED ITS
PROCUREMENT INTENTIONS OR WHETHER ISCOTT HAS MISUNDERSTOOD
THE MIDREX PROPOSAL OR U.S. FINANCING POSSIBILITIES.
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